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STATE FOR EEB/IFB/OMAFOR ASNOW AND RFIGUEROA  
STATE FOR NEA/RA FOR JPALLARES AND JSCOVITCH

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SUBJECT: FISCAL TRANSPARENCY REPORT FOR SAUDI ARABIA

REF: STATE 16737

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Summary  
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¶1. (U) Saudi Arabia's annual budget is publicized through government sources, analyses by local banks, and the local media. Officially-released budget data is timely, but not highly-detailed. Most information is limited to broad sectoral allocations. Officially-available information is typically posted on official government websites of the Ministry of Finance and SAMA, the central bank. National newspapers provide coverage of the budget, tending to highlight education and health spending of interest to the Saudi public. More current information is available in Arabic than English. The Saudi Basic Law and Council of Ministers' Law provide the legal foundation for budgetary disclosure and final budgetary approval by the government.

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Official Sources of Information on the Budget  
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¶2. (U) The Minister of Finance (MOF) has responsibility for drafting and announcing the annual Saudi budget. Upon its announcement, the MOF issues a public statement, which is published on the MOF website, at [www.mof.gov.sa](http://www.mof.gov.sa). His press release typically includes commentary on the previous year's budget implementation, highlights of appropriations for the forthcoming fiscal year, and an overview of recent economic developments. The MOF also publishes very general budget appropriations by sector on its website. Substantially more current information is available in Arabic than English on the MOF website (3-4 years more current). The MOF statement regarding the budget is also typically summarized and published on the Royal Saudi Embassy in Washington DC at [www.saudiembassy.net](http://www.saudiembassy.net); the Saudi Embassy also publishes additional information on royal decrees which are pertinent to the composite budget picture.

¶3. (U) More detailed budget information is available through the Saudi Arabian Monetary Agency (SAMA), the central bank, at [www.sama.gov.sa](http://www.sama.gov.sa). In particular, SAMA publishes an Annual Report which covers the state of the Saudi and world economy, the banking sector, banking supervision, public finance, capital markets, cost of living, and key developments across various sectors, including petroleum

¶4. (U) The Public Finance portion of the annual SAMA report specifically addresses the annual budget. The SAMA report outlines budget allocations by sector (e.g., human resource development, municipal services, defense and security). Budget figures are not broken down by sub-category. Allocations for individual ministries

are not broken out, but appear to be subsumed under these sectoral allocations. Allocations to specific national institutions, "semi-autonomous institutions," e.g., the Saudi Ports Authority, King Saud University, the Royal Commission of Yanbu and Jubail, are also outlined.

15. (U) The SAMA report also offers details on budget projections versus actual revenues and expenditures for a three-year retrospective period, and tracks percentages of oil revenue versus non-oil revenue. (Oil has typically accounted for about 90% of government revenue during the recent period of high oil revenues.) The SAMA annual report also tracks other useful data, such as current and capital expenditures, and the ratio of budget surplus to GDP.

16. (U) Note: Mission finds that utility and timeliness of information provided by the Ministry of Economy and Planning's Central Department of Statistics typically lags that of data provided by SAMA and the MOF. End note.

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Press Publicizes the Budget  
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17. (U) During the annual budget publication period, local press publicizes the budget figures in both Arabic and English, and in the broadcast and print media. Al-Riyadh and other national newspapers provide coverage of the budget, tending to highlight education and health spending, areas of significant interest to the Saudi public.

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Growing Private Research Capability  
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18. (U) In recent years, banking institutions such as the Saudi Arabian British Bank (SABB), Riyadh Bank, Samba Bank, and a new class of Saudi-licensed investment banks, such as Jadwa Investments and JP Morgan, have refined their research capabilities, and now publish monthly analyses for their clients and the economic community. During the recent budget cycle, these banks provided well-researched analyses of the budget for their clients, with more detailed and current information than that available through public sources. Bank analyses of the budget are also disseminated via independent organizations such as SURIS, the Saudi-U.S. Relations Information Service, at <http://www.saudi-us-relations.org>.

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Laws Governing the Saudi Budget  
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19. (U) Articles 72-78 of the Saudi Basic Law of Government contain statutory provisions for the disclosure of budget revenues and expenditures. The Basic Law stipulates that projections for the following year's budget revenues and expenditures should be announced during the last month of the fiscal year. Expenditures must be in accordance with budget allocations. The Law also defines the fiscal year, which runs from December to December on the Gregorian calendar. The Ministry of Finance (the "competent body") must prepare a statement of account of the year's budget at the conclusion of the fiscal year for submission to the King.

110. (U) Articles 25-28 of the Council of Ministers' Law stipulate that the Council of Ministers study and approve the state budget upon submission. After approval by the Council of Ministers, the King also approves the budget. A royal decree is necessary to increase state budget allocations. A royal decree can also alter the budget and specify how unanticipated budget surpluses are allocated.

111. (U) Saudi Arabia observes International Monetary Fund-endorsed standards and codes in the following areas:

--Banking Supervision (June 5, 2006)  
--Monetary and Financial Policy Transparency (June 5, 2006)

--Payments Systems (June 5, 2006)

All were published as part of the Financial System Stability Assessment. (<http://www.imf.org/external/np/rosc/rosc.asp> )

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USG Technical Assistance on Budgets  
Long Since Wrapped Up  
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¶12. (U) The USG had wide-ranging programs to assist the Ministry of Finance and SAMA from the early 1970s to the early 1990s through the U.S. Department of the Treasury-administered Joint Economic Commission of Riyadh (JECOR) program. At its peak, more than 300 American advisors resided in Saudi Arabia to assist the SAG to design a modern and efficient finance ministry and central bank. These programs were wrapped up in the early 1990s when both governments concluded the SAG had developed the ability to manage its own fiscal and monetary affairs.

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Comment  
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¶13. (SBU) Generally, economists in the region believe, and we concur, that the SAG is exercising substantially more fiscal prudence during this oil boom than it did during the previous oil boom of the 1970s, when off-budget spending flourished unchecked. Saudi budget figures are promptly released, widely-publicized, and broadly discussed, but are not highly specific. They provide few grounds for citizens to question a specific allocation, simply because publicly-available figures are too generalized to identify specific programs, or even budgets for specific ministries. Additionally, large numbers of royal family members exact support from government coffers, a patronage-based system of government continues, and funds are flowing freely to modernize key government sectors. These factors ensure that the published government budget figures are probably not the full and final word on what the SAG is actually spending.

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